

2000 GENERAL ASSEMBLY

FB 2000-2002

CONFERENCE BUDGET REPORT ANALYSIS

N. REVENUE

APRIL 14, 2000

2000 REGULAR SESSION
FB 2000-2002
CONFERENCE BUDGET REPORT ANALYSIS

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CONFERENCE BUDGET REPORT ANALYSIS
2000 GENERAL ASSEMBLY -- OPERATING BUDGET SUMMARY

Governmental Branch: Executive Branch

Agency: Summary

Cabinet/Function: Revenue

Appropriation Unit:

	FY 1999-2000			FY 2000-2001			FY 2001-2002		
	House	Senate	Conference	House	Senate	Conference	House	Senate	Conference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE									
General Fund	83,209,400	83,209,400	83,209,400	88,837,900	89,037,900	88,837,900	93,546,000	93,756,000	93,546,000
Restricted Funds	5,271,500	5,271,500	5,271,500	7,040,500	7,040,500	7,040,500	6,853,400	6,853,400	6,853,400
Federal Funds	40,000	40,000	40,000						
Road Fund	1,352,000	1,352,000	1,352,000	1,385,000	1,385,000	1,385,000	1,418,000	1,418,000	1,418,000
Regular Total Funds	89,872,900	89,872,900	89,872,900	97,263,400	97,463,400	97,263,400	101,817,400	102,027,400	101,817,400
General Fund Continuing									
GRAND TOTAL FUNDS	89,872,900	89,872,900	89,872,900	97,263,400	97,463,400	97,263,400	101,817,400	102,027,400	101,817,400
II. EXPENDITURE CATEGORY									
Personnel Costs	68,777,800	68,777,800	68,777,800	73,566,200	73,766,200	73,566,200	76,977,400	77,187,400	76,977,400
Operating Expenses	21,095,100	21,095,100	21,095,100	23,697,200	23,697,200	23,697,200	24,840,000	24,840,000	24,840,000
TOTAL EXPENDITURES	89,872,900	89,872,900	89,872,900	97,263,400	97,463,400	97,263,400	101,817,400	102,027,400	101,817,400
III. BASE LEVEL BUDGET BY FUND SOURCE									
General Fund	83,209,400	83,209,400	83,209,400	84,622,000	84,622,000	84,622,000	88,261,300	88,261,300	88,261,300
Restricted Funds	5,271,500	5,271,500	5,271,500	6,364,900	6,364,900	6,364,900	6,053,400	6,053,400	6,053,400
Federal Funds	40,000	40,000	40,000						
Road Fund	1,352,000	1,352,000	1,352,000	1,385,000	1,385,000	1,385,000	1,418,000	1,418,000	1,418,000
Regular Total Funds	89,872,900	89,872,900	89,872,900	92,371,900	92,371,900	92,371,900	95,732,700	95,732,700	95,732,700
General Fund Continuing									
TOTAL BASE LEVEL	89,872,900	89,872,900	89,872,900	92,371,900	92,371,900	92,371,900	95,732,700	95,732,700	95,732,700
IV. ADDITIONAL BUDGET RECAP BY FUND SOURCE									
General Fund				4,215,900	4,415,900	4,215,900	5,284,700	5,494,700	5,284,700
Restricted Funds				675,600	675,600	675,600	800,000	800,000	800,000
TOTAL ADDITIONAL				4,891,500	5,091,500	4,891,500	6,084,700	6,294,700	6,084,700

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**CONFERENCE BUDGET REPORT ANALYSIS
2000 GENERAL ASSEMBLY -- OPERATING BUDGET SUMMARY**

Governmental Branch: Executive Branch
Cabinet/Function: Revenue

Agency: Revenue Cabinet
Appropriation Unit: Revenue

	FY 1999-2000			FY 2000-2001			FY 2001-2002		
	House	Senate	Conference	House	Senate	Conference	House	Senate	Conference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE									
General Fund	60,236,900	60,236,900	60,236,900	63,789,700	63,989,700	63,789,700	67,177,200	67,387,200	67,177,200
Restricted Funds	2,722,000	2,722,000	2,722,000	3,800,000	3,800,000	3,800,000	3,581,500	3,581,500	3,581,500
Federal Funds	40,000	40,000	40,000						
Road Fund	1,352,000	1,352,000	1,352,000	1,385,000	1,385,000	1,385,000	1,418,000	1,418,000	1,418,000
Regular Total Funds	64,350,900	64,350,900	64,350,900	68,974,700	69,174,700	68,974,700	72,176,700	72,386,700	72,176,700
General Fund Continuing									
GRAND TOTAL FUNDS	64,350,900	64,350,900	64,350,900	68,974,700	69,174,700	68,974,700	72,176,700	72,386,700	72,176,700
II. EXPENDITURE CATEGORY									
Personnel Costs	43,717,800	43,717,800	43,717,800	45,739,500	45,939,500	45,739,500	47,798,700	48,008,700	47,798,700
Operating Expenses	20,633,100	20,633,100	20,633,100	23,235,200	23,235,200	23,235,200	24,378,000	24,378,000	24,378,000
TOTAL EXPENDITURES	64,350,900	64,350,900	64,350,900	68,974,700	69,174,700	68,974,700	72,176,700	72,386,700	72,176,700
III. BASE LEVEL BUDGET BY FUND SOURCE									
General Fund	60,236,900	60,236,900	60,236,900	61,189,700	61,189,700	61,189,700	63,477,200	63,477,200	63,477,200
Restricted Funds	2,722,000	2,722,000	2,722,000	3,124,400	3,124,400	3,124,400	2,781,500	2,781,500	2,781,500
Federal Funds	40,000	40,000	40,000						
Road Fund	1,352,000	1,352,000	1,352,000	1,385,000	1,385,000	1,385,000	1,418,000	1,418,000	1,418,000
Regular Total Funds	64,350,900	64,350,900	64,350,900	65,699,100	65,699,100	65,699,100	67,676,700	67,676,700	67,676,700
General Fund Continuing									
TOTAL BASE LEVEL	64,350,900	64,350,900	64,350,900	65,699,100	65,699,100	65,699,100	67,676,700	67,676,700	67,676,700
IV. ADDITIONAL BUDGET RECAP BY FUND SOURCE									
General Fund				2,600,000	2,800,000	2,600,000	3,700,000	3,910,000	3,700,000
Restricted Funds				675,600	675,600	675,600	800,000	800,000	800,000
TOTAL ADDITIONAL				3,275,600	3,475,600	3,275,600	4,500,000	4,710,000	4,500,000
V. ADDITIONAL BUDGET ITEMS									
2 EXPAN	EMPOWER KY (Integrated Tax Entity System/Master Taxpayer Index)								
(C30RS0X04)	Provide funds for computer services and computer maintenance relating to the development of the KY Integrated Tax Entity System/Master Taxpayer Index.								
General Fund				2,600,000	2,600,000	2,600,000	3,700,000	3,700,000	3,700,000
Total				2,600,000	2,600,000	2,600,000	3,700,000	3,700,000	3,700,000
3 NEW	Enterprise-wide Processing - Operating Costs								
(C30RT0X01)	Provide funds to support operating costs to establish a modernized front-end processing system for unemployment insurance claims and forms which will be supported by funds received from the Workforce Development Cabinet.								

CONFERENCE BUDGET REPORT ANALYSIS
2000 GENERAL ASSEMBLY -- OPERATING BUDGET SUMMARY

Governmental Branch: Executive Branch

Agency: Revenue Cabinet

Cabinet/Function: Revenue

Appropriation Unit: Revenue

		FY 1999-2000			FY 2000-2001			FY 2001-2002		
		House	Senate	Conference	House	Senate	Conference	House	Senate	Conference
V. ADDITIONAL BUDGET ITEMS										
3 NEW	Enterprise-wide Processing - Operating Costs									
(C30RT0X01)	Provide funds to support operating costs to establish a modernized front-end processing system for unemployment insurance claims and forms which will be supported by funds received from the Workforce Development Cabinet.									
Restricted Funds					400,000	400,000	400,000	400,000	400,000	400,000
Total					400,000	400,000	400,000	400,000	400,000	400,000
4 NEW	Wage Equity Plan									
(C30RS0X02)	Support salary improvement.									
Restricted Funds					275,600	275,600	275,600	400,000	400,000	400,000
Total					275,600	275,600	275,600	400,000	400,000	400,000
5 EXPAN	Tax Compliance Initiatives									
(C30AGA01)	Provide funds to support six additional PFT positions for increased tax compliance initiatives.									
General Fund						200,000			210,000	
Total						200,000			210,000	
TOTAL ADDITIONAL					3,275,600	3,475,600	3,275,600	4,500,000	4,710,000	4,500,000

FB 2000-2002 BUDGET MODIFICATION REPORT

Revenue Cabinet

BRANCH BUDGET

The Branch Budget recommends funding for existing services and programs in FB 2000-2002 with the following exceptions:

Additional General Fund dollars of \$2,600,000 in FY 2000-2001 and \$3,700,000 in FY 2001-2002 are provided for support of the Simplified Revenue Systems/Empower Kentucky initiative.

Additional Restricted Funds of \$400,000 each year of the biennium are provided for the Enterprise-wide Processing initiative.

The Branch Budget Bill, Part I, Operating Budget, includes language provisions that direct, notwithstanding KRS 136.392, the insurance surcharge rate shall be calculated at a rate to provide sufficient funds in the 2000-2002 fiscal biennium for the Firefighters Foundation Program Fund and the Kentucky Law Enforcement Foundation Program Fund, including the administration of training programs, pay supplements prescribed by statute, and debt service for the respective program funds specified in KRS 15.410 to 15.510, KRS 42.190, KRS 95A.220, and KRS 95A.262 in fiscal year 2000-2001 and fiscal year 2001-2002. The calculation of sufficient funds for the above-named programs shall include any Restricted Funds carried forward from fiscal years 1999-2000 and 2000-2000 provided by the General Assembly in this Act.

Notwithstanding the provisions of KRS 134.400, the administration of the Delinquent Tax Fund is in the Department of Property Valuation. Proceeds shall be deposited to this account except that the first \$100,000 shall be deposited exclusively to the General Fund. Also included in the Revenue Cabinet's Restricted Funds appropriation is \$90,000 in fiscal year 2000-2001 and \$290,000 in fiscal year 2001-2002 from the accumulated balance in the Delinquent Tax Fund account for the administrative activities of the Revenue Cabinet.

The Branch Budget Bill, Part I, Operating Budget, includes a language provisions that states, Road Fund moneys are appropriated for the cost of the Road Fund Compliance and Motor Vehicle Property Tax programs within the Revenue Cabinet and are to be used exclusively for that purpose.

Wage Equity Plan funding, which includes the value of an annual 5% adjustment in personnel costs, supplemented with additional funding support totaling \$354,000 in FY 2000-2001 and \$565,200 in FY 2001-2002 (General Fund) and \$349,800 in FY 2000-2001 and \$400,000 in FY 2001-2002 (Restricted Funds) is budgeted to provide a guaranteed COLA salary adjustment for each employee on July 1 each fiscal year equal to 2.4%. Additional salary adjustments equal to 1%, 2%, or 3% are provided for employees on anniversary increment dates based upon their length of service in his/her current job classification/grade. Individual employee salaries may also be increased due to proposed annual 2.4% COLA increase in state salary schedule or wage scale adjustments for selective job reclassifications to reduce non-competitive salary market.

Funding support from reduced employer retirement contributions and vacancy credits is included in the Base Level Budget to support increased costs of existing operations.

Capital Construction Surplus dollars totaling \$200,000 are provided in FY 2000-2001 for network infrastructure replacement.

FB 2000-2002 BUDGET MODIFICATION REPORT

Revenue Cabinet

HOUSE REPORT

The House concurs with the Branch Budget recommendation with the following changes:

The modified Wage Equity Plan in Part IV, as proposed for the revised Executive Budget, includes funding for the regular 5% annual increment for each employee. In addition, funds are provided in the amount of \$ \$275,600 in FY 2000-2001 and \$ \$400,000 in FY 2001-2002 for employees' salaries affected by raising the entry level wage of all pay grades by an additional 7.4% on July 1, 2000, and on July 1, 2001, raising the job grade classifications that are three, four, or five pay grades below their proper pay grade as determined by the Personnel Cabinet and by providing that on July 1 of each year employees who are not in probationary status be paid no less than 105 percent of the entry level wage for their job classification.

The House Budget Bill, Part III, General Provisions, includes a language provision language that states, the Kentucky Revenue Cabinet may enter into discussions with states regarding development of a multi-state, voluntary, streamlined system for sales and use tax which would have the capability to determine the taxability of a transaction and provide a method for collecting and remitting the taxes to the state. The system may provide compensation for the costs of collecting and remitting sales and use taxes. Following these discussions, the Cabinet may proceed to issue a Joint Request for Information.

The Cabinet may participate in a sales tax pilot project with other states and selected businesses to test means for simplifying sales and use tax administration and may enter into joint agreements for this purpose, subject to the following conditions.

- (a) Agreements to participate in the test shall establish provisions for the administration, imposition and collection of sales and use taxes resulting in revenues paid that are the same as would be paid under KRS Chapter 139;
- (b) Parties to the agreements are excused from complying with the provisions of KRS Chapter 45A to the extent a different procedure is required by the agreements.
- (c) Agreements authorized under this section, if any, shall terminate no later than December 31, 2001.

Return information submitted to any party or parties acting for and on behalf of the state shall be treated as confidential taxpayer information. Disclosure of confidential information necessary under any agreement shall be pursuant to a written agreement between the Cabinet and other party or parties. Other party or parties shall be bound by the same requirements of confidentiality as the Cabinet under KRS 131.190.

By March 1, 2001, the Cabinet shall report to the Governor and the Legislative Research Commission on the status of multi-state discussions and, if a proposed system is agreed upon by participating states, shall also recommend whether the state should participate in the system.

SENATE REPORT

The Senate concurs with the House with the following change:

Additional General Fund support of \$200,000 in FY 2000-2001 and \$210,000 is provided for six additional auditors for tax compliance initiatives.

FB 2000-2002
BUDGET MODIFICATION REPORT

Revenue Cabinet

CONFERENCE REPORT

The Conference concurs with the House.

CONFERENCE BUDGET REPORT ANALYSIS
2000 GENERAL ASSEMBLY -- CAPITAL BUDGET SUMMARY

Governmental Branch:	Executive Branch			Agency: Revenue Cabinet					
Cabinet/Function:	Revenue			Appropriation Unit: Revenue					
	FY 1999-2000			FY 2000-2001			FY 2001-2002		
	House	Senate	Conference	House	Senate	Conference	House	Senate	Conference
I. CAPITAL PROJECT RECAP BY FUND SOURCE									
Capital Const. Surplus				200,000	200,000	200,000			
TOTAL CAPITAL				200,000	200,000	200,000			
II. CAPITAL PROJECTS									
1 (C300269) Network Infrastructure Replacement									
Capital Const. Surplus				200,000	200,000	200,000			
Total				200,000	200,000	200,000			
3 (C300001) Franklin County - Lease									
Total									
4 (C300002) Franklin County - Lease									
Total									
5 (C300003) Franklin County - Lease									
Total									
TOTAL				200,000	200,000	200,000			

**CONFERENCE BUDGET REPORT ANALYSIS
2000 GENERAL ASSEMBLY -- OPERATING BUDGET SUMMARY**

Governmental Branch: Executive Branch

Agency: Revenue Cabinet

Cabinet/Function: Revenue

Appropriation Unit: Property Valuation Administrators

	FY 1999-2000			FY 2000-2001			FY 2001-2002		
	House	Senate	Conference	House	Senate	Conference	House	Senate	Conference
I. APPROPRIATIONS SUMMARY BY FUND SOURCE									
General Fund	22,972,500	22,972,500	22,972,500	25,048,200	25,048,200	25,048,200	26,368,800	26,368,800	26,368,800
Restricted Funds	2,549,500	2,549,500	2,549,500	3,240,500	3,240,500	3,240,500	3,271,900	3,271,900	3,271,900
Regular Total Funds	25,522,000	25,522,000	25,522,000	28,288,700	28,288,700	28,288,700	29,640,700	29,640,700	29,640,700
General Fund Continuing									
GRAND TOTAL FUNDS	25,522,000	25,522,000	25,522,000	28,288,700	28,288,700	28,288,700	29,640,700	29,640,700	29,640,700
II. EXPENDITURE CATEGORY									
Personnel Costs	25,060,000	25,060,000	25,060,000	27,826,700	27,826,700	27,826,700	29,178,700	29,178,700	29,178,700
Operating Expenses	462,000	462,000	462,000	462,000	462,000	462,000	462,000	462,000	462,000
TOTAL EXPENDITURES	25,522,000	25,522,000	25,522,000	28,288,700	28,288,700	28,288,700	29,640,700	29,640,700	29,640,700
III. BASE LEVEL BUDGET BY FUND SOURCE									
General Fund	22,972,500	22,972,500	22,972,500	23,432,300	23,432,300	23,432,300	24,784,100	24,784,100	24,784,100
Restricted Funds	2,549,500	2,549,500	2,549,500	3,240,500	3,240,500	3,240,500	3,271,900	3,271,900	3,271,900
Regular Total Funds	25,522,000	25,522,000	25,522,000	26,672,800	26,672,800	26,672,800	28,056,000	28,056,000	28,056,000
General Fund Continuing									
TOTAL BASE LEVEL	25,522,000	25,522,000	25,522,000	26,672,800	26,672,800	26,672,800	28,056,000	28,056,000	28,056,000
IV. ADDITIONAL BUDGET RECAP BY FUND SOURCE									
General Fund				1,615,900	1,615,900	1,615,900	1,584,700	1,584,700	1,584,700
TOTAL ADDITIONAL				1,615,900	1,615,900	1,615,900	1,584,700	1,584,700	1,584,700
V. ADDITIONAL BUDGET ITEMS									
2 EXPAN	PVA Salary Structure-Increase Salaries								
(C30RC0X01)	Provide funds to support PVA salary increases which, will provide parity with other locally elected officials.								
General Fund				1,543,400	1,543,400	1,543,400	1,470,300	1,470,300	1,470,300
Total				1,543,400	1,543,400	1,543,400	1,470,300	1,470,300	1,470,300
3 NEW	Wage Equity Plan								
(C30RC0X03)	Support salary improvement.								
General Fund				72,500	72,500	72,500	114,400	114,400	114,400
Total				72,500	72,500	72,500	114,400	114,400	114,400
TOTAL ADDITIONAL				1,615,900	1,615,900	1,615,900	1,584,700	1,584,700	1,584,700

FB 2000-2002 BUDGET MODIFICATION REPORT

Property Valuation Administrators

BRANCH BUDGET

The Branch Budget recommends funding for existing services and programs in FB 2000-2002 with the following exceptions: Additional General Fund dollars of \$1,543,400 in FY 2000-2001 and \$1,470,000 in FY 2001-2002 are provided for the enhancement of Property Valuation Administrators salaries, consistent with other county public officials, as provided in HB 810 of the 1998 General Assembly and codified in KRS 64.5275.

Wage Equity Plan funding, which includes the value of an annual 5% adjustment in personnel costs, supplemented with additional funding support totaling \$170,500 in FY 2000-2001 (General Fund) is budgeted to provide a guaranteed COLA salary adjustment for each employee on July 1 each fiscal year equal to 2.4%. Additional salary adjustments equal to 1%, 2%, or 3% are provided for employees on anniversary increment dates based upon their length of service in his/her current job classification/grade. Individual employee salaries may also be increased due to proposed annual 2.4% COLA increase in state salary schedule or wage scale adjustments for selective job reclassifications to reduce non-competitive salary market.

Funding support from reduced employer retirement contributions and vacancy credits is included in the Base Level Budget to support increased costs of existing operations.

HOUSE REPORT

The House concurs with the Branch Budget recommendation with the following changes:

The modified Wage Equity Plan in Part IV, as proposed for the revised Executive Budget, includes funding for the regular 5% annual increment for each employee. In addition, funds are provided in the amount of \$ \$72,500 in FY 2000-2001 and \$ \$114,400 in FY 2001-2002 for employees' salaries affected by raising the entry level wage of all pay grades by an additional 7.4% on July 1, 2000, and on July 1, 2001, raising the job grade classifications that are three, four, or five pay grades below their proper pay grade as determined by the Personnel Cabinet and by providing that on July 1 of each year employees who are not in probationary status be paid no less than 105 percent of the entry level wage for their job classification.

The House Budget Bill, Part I, Operating Budget, includes a language provision language that states, notwithstanding the provisions of KRS 18A.110 to 18A.355 and KRS 61.510 to 61.705, included in the above Restricted Funds appropriation are funds to allow Property Valuation Administrators and their Deputies to receive lump-sum payments for accrued annual leave and compensatory time when separated from employment because of termination by the employer, resignation, retirement, or death

The House Budget Bill, Part IX, Special Provisions, includes a language provision language that states, Annual and Compensatory Leave: Notwithstanding the provisions of KRS 18A.110 to 18A.355 and KRS 61.510 to 61.705, the cabinet shall promulgate administrative regulations allowing property valuation administrators and their deputies to receive lump-sum payments for accrued annual leave and compensatory time when separated from employment because of termination by the employer, resignation, retirement, or death.

SENATE REPORT

The Senate concurs with the House.

CONFERENCE REPORT

The Conference concurs with the House and the Senate.